



Better Buy: Bombardier (TSX:BBD.B) or SNC-Lavalin (TSX:SNC)?

Description

On the surface, **Bombardier** ([TSX:BBD.B](#)) and **SNC-Lavalin Group** (TSX:SNC) don't look too similar. The former company operates within the airline and public transport industry, whereas the latter is a construction company. But there is one thing that, unfortunately, these two stocks share: scandal.

Both Bombardier and SNC-Lavalin have been hampered for years by scandal after scandal. The news has beaten down these two stocks to near all-time lows. Yet some investors are wondering whether now is the time to pick up these scandalized stocks and wait for a comeback.

So, let's take a look at whether Bombardier or SNC-Lavalin are really a bargain or just all risk.

Bombardier

Bombardier was under the \$1 mark a few years ago, and now the stock isn't far off. As of writing, shares of Bombardier trade at \$1.83 per share — quite the downward spiral from its all-time high of \$26 back at the turn of the millennium. But shares have been this low for years now, so investors are questioning whether now is a good time to buy the stock or if this is just business as usual.

After all, Bombardier has been through a lot. The company received bailout after bailout from the government and still had to sell its failed CSeries plan to Airbus. Yet management remains optimistic that the company has hit rock bottom and is now on the rebound.

Bombardier has a number of backlogged projects the company is [slowly chipping away](#) at, and that is slowly but steadily bringing in revenue to pay off the company's massive debts.

Sales rose to \$16.23 billion in 2018, and now analysts project sales to grow by 2.9% to \$16.71 billion in 2019 and by 12.8% to \$18.85 billion in 2020. With that in mind, analysts predict the stock could rise to as high as \$4 per share in the next 12 months or stay relatively steady.

Yet the company still has a lot of debts to pay off, so if you're looking for a long-term buy, Bombardier might not be a great choice right now.

SNC-Lavalin

Even if you aren't into investing, you've likely heard of the [scandals](#) surrounding SNC-Lavalin. The company has been plagued with accusations of bribery and corruption that lead all the way to the office of the prime minister. Those accusations have, of course, resurfaced now that an election is due in the next month.

But what you're likely worried about as an investor is whether this stock is going to make a comeback, and there's a lot to unpack there.

On the one hand, the company is now being run by completely new people that are trying to prove the sordid past is behind them. A number of backlogged projects are underway, and the company recently sold a 10.01% stake of the Highway 407 ETR.

On the other hand, the company could be banned from taking on Canadian projects for the next decade if accusations are found to be true. While the company might have operations around the world, this would be incredibly harmful to SNC-Lavalin's business. And given that 29% of SNC-Lavalin's \$10.06 billion revenue came from Canada in 2018, that would hurt more than a little bit if this company is convicted.

While analysts project the stock to go up as high as \$50 in the next year, a conviction could send shares near collapse.

Bottom line

In this case, I would go with Bombardier out of these two options. It doesn't look like the stock has any further to fall, and with fair value at \$2.40, that leaves a potential upside of over 30% as of writing. The company does, in fact, look like it is on the rebound, so that proves promising for investors.

Meanwhile, SNC-Lavalin is still in the thick of its problems, with more news likely to come out around the election. This will probably push the stock even further down in the near term. While I can't predict the future, at least in the next year I'd say it's best to bet on Bombardier over SNC-Lavalin at this time.

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